

TO DIRECTOR

1982 APR -2 PM 12:38

PHILIP MORRIS INT'L
N.Y.C.

RECEIVED

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L.P.

JDH

CS: 02-04-02

MR. WATSON MAXWELL

CC: RWM, TC, WTM, GER (PHD)

F.M. DUNLEG, T.M. KEARNS, R.L. SNYDER, L. POLLACK (PHD)

ASH TELEX - WEEK ENDING MARCH 26, 1982

1. LEGAL

A) GERMANY

- 1) AKSTER, HEIDENHAIN AND HIRSCH VISITED ROBERTS, WELD, VEITH AND ALBERS (NEW MEMBER) AT FCO ON MARCH 15TH TO NEGOTIATE THE AGREEMENT BETWEEN BRINKMANN AG, BRINKMANN HOLDING GMBH AND THE FCO REGARDING INTERIM COMMITMENTS TO BE MADE BY MP PENDING THE APPEAL AGAINST THE FCO'S PROHIBITION ORDER ON THE MP INVESTMENT IN RI.

THE FCO BASICALLY ACCEPTED THE PROPOSALS WHICH ESSENTIALLY MAINTAINED THE STATUS QUO, BUT ALSO ALLOWED THAT:

- CONTRACT MANUFACTURING AGREEMENTS ARE EXPRESSLY PERMITTED, SUBJECT TO MB GIVING THE FCO A COPY OF THE CONTRACT.

- THE COVENANT TO MAINTAIN MB TRADEMARK RIGHTS IS LIMITED TO MAJOR BRANDS.

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NEITHER RI NOR RTH IS REQUIRED TO GUARANTEE THESE COMMITMENTS.
RI'S BOARD ADOPTED A RESOLUTION ON MARCH 18TH NOT TO APPOINT
PM NOMINEES TO THE MANAGEMENT BOARDS OF MR OR BRINKMANN HOL-
DINGS. AXSTER AND HEIDENHAIN WILL CONFIRM TO HELD BY LETTER
THAT RTH HAS BEEN INFORMED OF THE COMMITMENTS.

THERE IS NO RESTRICTION ON THE DISPOSAL OF FOREIGN HELD ASSETS
(TABACOFINA AND CANADA).

II) THE ABOVE PROPOSALS WERE ACCEPTED AND THE AGREEMENT WAS
SIGNED BY NB ON MARCH 19TH AND SIGNED BY THE FCO ON MARCH 30TH
NO COMMITMENTS HAVE OR WILL BE MADE BY PM GERMANY.

III) NB ISSUED A PRESS RELEASE FOLLOWING THE AGREEMENT.
THE FCO, CONTRARY TO INITIAL INDICATIONS, DECIDED NOT TO MAKE
AN PRESS STATEMENT.

IV) DR. KARTJE, PRESIDENT OF THE FCO, REPLYING TO THE COMPLAINT
OF H. GIUDICE OF NB, WROTE ON MARCH 3RD THAT THE FCO HAD ONLY
MADE STATEMENTS TO THE PRESS TO COUNTERACT SPECULATION ARISING
FROM INFORMATION GIVEN TO THE PRESS BY OTHER SOURCES.

V) AXSTER, HEIDENHAIN AND HIRSCH MET ON MARCH 23RD TO OUTLINE THE
PREPARATORY WORK FOR THE LEGAL BRIEF FOR THE COURT APPEAL WHICH
WILL BE FILED BY JUNE 30. IT IS UNCERTAIN WHETHER FURTHER EX-
TENSIONS OF TIME WILL BE GRANTED.

VI) ON MARCH 31ST HEIDENHAIN FORWARDED THE NOTICE OF APPEAL OF THE
FCO DECISION TO THE KAMMERGERICHT (BERLIN COURT OF APPEALS)
AND THE FCO.

VII) THE LAW FIRM OF ARNOLD AND PORTER IN WASHINGTON WILL PREPARE
MATERIAL ON U.S. ANTI-TRUST ISSUES THAT WILL BE USED IN THE
BERLIN APPEAL. OTHER SUBSTANTIAL LEGAL AND MARKETING DATA NEED
ALSO BE PREPARED FOR THE APPEAL.

REC

1) MR. FAULL, A MEMBER OF THE TEAM ON OUR CASE, REQUESTED ADDITIONAL COPIES OF THE REMBRANDT BRIEF OF MARCH 6TH 1982 FOR SENDING TO MEMBER STATES.

11) WE PLAN TO MAKE OUR AUDIO-VISUAL PRESENTATION TO THE COMMISSION ON THE EEC TOBACCO INDUSTRY IN BRUSSELS AT THE END OF MAY OR BEGINNING OF JUNE. THE OBJECTIVE OF THE PRESENTATION IS TO EDUCATE THE EEC TEAM ON OUR VIEWPOINT.

C) CANADA

PM'S COUNSEL, JOHN CLAXTON, WROTE TO FIRA ON MARCH 25 REGARDING OUR DISAGREEMENT WITH FIRA'S CONTENTION THAT THE TRANSACTION IS REVIEWABLE AND STATING THAT HE DID NOT INTEND TO FILE A FORMAL NOTICE.

ON MARCH 31ST OUR COUNSEL HEARD BY TELEPHONE THAT FIRA HAD INITIATED SOME ACTION, PRESUMABLY STARTING THE MOTION FOR A RECOMMENDATION TO THE MINISTER TO ISSUE AN ORDER TO REQUIRE PM TO FILE.

ALSO, ON MARCH 31ST OUR COUNSEL WROTE TO FIRA AGAIN TO REQUEST FURTHER EXPLANATIONS OF THEIR REASONS FOR CONSIDERING THE TRANSACTION REVIEWABLE. IT APPEARS, HOWEVER, THAT A COURT CASE IS INEVITABLE.

2. POLITICAL ACTION

A) CANADA

END AND WARREN CLOVER (REBRANDT'S LAWYER) MET MESSRS. DEVLIN, GILLESPIE AND HAWKES OF THE ROTHMANS CANADIAN COMPANIES IN TORONTO ON MARCH 29 TO BRIEF THEM ON OUR RELATIONS WITH FIRA AND TO ENLIST THEIR SUPPORT IN CONVINCING THE AUTHORITIES THAT THE TRANSACTION IS NOT REVIEWABLE.

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ALL THREE, HOWEVER, AGREED THAT IF FIRA CONTACTED THEM, THEY WOULD CONFIRM THAT THERE WAS NO CHANGE IN CONTROL OF THE ROTHMANS COMPANIES IN CANADA AND WOULD GO TO OTTAWA IF NECESSARY.

GILLESPIE, FORMERLY IN TRUDEAU'S CABINET AND EX HEAD OF FIRA, THOUGHT AN APPROACH BY HIM TO HERBERT GRAY, MINISTER OF INDUSTRY, WOULD BE UNPRODUCTIVE.

B) GERMANY

IT IS THE JOINT VIEW OF ALL OUR ADVISORS AGAINST FILING AT PRESENT AN APPEAL WITH THE MINISTRY OF ECONOMICS. IT IS FELT THAT THE PRESENT POLITICAL CLIMATE IN GERMANY IS NOT HELPFUL TO OUR CASE.

3. OPERATIONS

A) CONTRACT MANUFACTURE

AN AGREEMENT HAS BEEN REACHED WITH TABACOFINA FOR THE MANUFACTURE OF THE ARMADA 100 FAMILY AND PHILIP MORRIS INTERNATIONAL (PRINCESS PACK) STARTING OCTOBER 4 AND OCTOBER 16 RESPECTIVELY. CONVERSION FEES HAVE BEEN FIXED AT 90 BF/000 FOR ARMADA 100 AND 110 BF/000 FOR PMI (THESE ARE BASED ON 1981 COST LEVELS AND WILL BE REVIEWED DURING MAY 1982 AS PER CONTRACT). ARMADA 100 ARE TO BE PRODUCED ON TABACOFINA EQUIPMENT, AND PMI WILL BE PACKED ON EQUIPMENT LOANED BY PM MUNICH.

DISCUSSIONS WERE HELD WITH MB ON MARCH 19TH IN BREMEN CONCLUDING THE CONTRACT MANUFACTURE OF APP. 20-25 MIO PHILIP MORRIS MULTI-FILTER 100 PER MONTH. PM IS NOW AWAITING DETAILS OF CONVERSION FEE AND START-UP DATE.

B) ET

LAURENS HOLLAND (SUBSIDIARY OF TABACOFINA) HAVE DECIDED TO MAKE A 2000 KILOS TRIAL AT BOZ. AT THE PRESENT TIME, TABACOFINA IS PURCHASING ET FROM THE RJR PLANT IN TRIER.

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- V. DRINK CONFIRMED RI'S INTEREST IN THE DIET PROCESS AND EXPRESSED AGAIN THE WISH THAT PM ASSIST THEM IN ACHIEVING THEIR OBJECTIVES.

- DISCUSSIONS WERE HELD IN N.Y. WITH W. MCDOWELL TO ESTABLISH A JOINT PM POSITION VIS-A-VIS AIRCO IN CONNECTION WITH RI. IT WAS AGREED AS AN OBJECTIVE TO MAXIMIZE THE PROFITABILITY FOR PM. THE LEGAL DEPARTMENT WAS AGAIN ASKED TO CHECK THE RELEVANT PM-AIRCO CONTRACT.

C) VISITS

THE FOLLOWING VISITS TOOK PLACE :

- A TABACOFINA DELEGATION TO DOI ON MARCH 17.

- A PM DELEGATION TO LAURENS, THE HAGUE ON MARCH 18.

- A CARRERAC-BOTHMANS DELEGATION TO DOI ON MARCH 22, MUNICH ON MARCH 24 (WHERE FOCKE AND PFOHL PACKER WAS OF SPECIAL INTEREST), VEUCHATEL/COUSSET ON MARCH 25 (TO SEE MLP SPEED-UP) AND ARE VISITING RICHMOND WEEK BEGINNING MARCH 29. A FULL REPORT ON THESE VISITS WILL BE PROVIDED IN THE NEXT FLASH.

4. BUSINESS DEVELOPMENT

A) INDONESIA

THE FAROKA FACTORY WILL BE VISITED ON APRIL 19, BY THE PM ASIA OPERATIONS SERVICES GROUP TO MAKE A FULL EXAMINATION OF THE FACILITIES. MEANWHILE, A MARKET STUDY IS UNDER WAY TO DETERMINE WHETHER IT WOULD BE POSSIBLE AND/OR DESIRABLE TO INCLUDE FAROKA IN ANY PLANS.

WE UNDERSTAND THAT THE LOANS OF DLR\$ 4.5 MILLION GUARANTEED BY TABACOFINA HAVE BEEN FULLY PROVIDED FOR BY RI.

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INDIA
CARRERAS ROTHMANS PEOPLE ARE VISITING INDIA APRIL 4-6 TO PURSUE DISCUSSIONS ON A LICENSING AGREEMENT WITH GPI.

C) CANARY ISLANDS

C. SALQUERO HAS HAD PRELIMINARY DISCUSSIONS WITH ONE OF RI'S TWO DISTRIBUTORS ON THE POSSIBILITY OF PM MANUFACTURE AND CONSUMPTION IS SCHEDULED TO MAKE FURTHER CONTACT WITH IAN HAITLAND, THE RI EXECUTIVE IN CHARGE OF THE MARKET.

D) JAMAICA

CARLOS SALQUERO AND OTHER PM L/A-IBERIA EXECUTIVES VISITED THE CARRERAS ROTHMANS' FACILITIES AND DISCUSSED POSSIBILITIES OF MANUFACTURING MARLBORO FOR THE LOCAL MARKET AND FOR EXPORTS TO THE CARIBBEAN COMMUNITY COUNTRIES. WE ARE NOT OPTIMISTIC OF ANY DEAL MATERIALIZING IN VIEW OF HIGH DUTIES ON IMPORTS OF TOBACCO, WHICH WILL OVERPRICE MARLBORO IN THE LOCAL MARKET. HOWEVER, DISCUSSIONS WILL CONTINUE.

E) TEI, ATLANTA

EN WILL MEET WITH V. BRINK ON APRIL 5 IN LONDON TO DISCUSS A PROPOSAL WHICH RI ARE IN THE PROCESS OF PREPARING, AND WHICH INCLUDE CONSIDERATION FOR A DUNHILL LICENCE. PRELIMINARY CONTACT WAS TAKEN BY EN WITH MESSRS. HUGH CHILMAN, JIM HOLLAND AND CARLOS SALQUERO TO BRIEF THEM ON TEI. THE PM INC. TAX DEPARTMENT HAS BEEN BRIEFED ON THE TAX ASPECTS OF ANY POTENTIAL ASSOCIATION WITH TEI.

F) MIDDLE EAST

V. BRINK STATED TO EN THAT THEY WOULD DEFINITELY NOT INTRODUCE WINFIELD, ALTHOUGH THIS HAS BEEN CONSIDERED.

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NO FURTHER NEWS. CARLINS ARE APPARENTLY STILL CONSIDERING THE POSSIBILITY OF TAKING OVER CENTURY.

H) SWITZERLAND

V. BRINK WAS BRIEFED BY DE JAEGERE ON THE DISCUSSIONS HELD WITH EH. EH HAD FURTHER TALKS WITH V.B..

IT WAS AGREED THAT RI WILL GET BACK TO US ONCE A TOTAL SOLUTION HAS BEEN CONSIDERED BY IT, THAT WILL INCLUDE BOTH THE LAURENS AND SULLANA OPERATIONS.

I) IRELAND

CAROLL HAVE INDICATED THEY WOULD LIKE TO RECOMMENCE DISCUSSIONS FOR A LICENCE AGREEMENT FOR MARLBORO. THEY WILL CONTACT PM LTD. SHORTLY.

J) TRADEMARKS

I) B. ECK ATTENDED THE REMBRANDT TRADEMARK CONFERENCE IN STELLENBOSCH DURING THE WEEK MARCH 22 TO 26. A FULL REPORT IS BEING PREPARED.

II) THE DRAFTS PREPARED BY V. TINUCCI TO IMPLEMENT ITEMS AGREED AT THE MEETING ON DECEMBER 9 IN STELLENBOSCH, WERE DELIVERED TO REMBRANDT BY ECK.

III) END AND A. SEYLER HAVE PREPARED A DRAFT LICENSEE AGREEMENT FOR THE USA BETWEEN REMBRANDT AND PM. IT WILL BE SENT TO REMBRANDT ON APRIL 2. IT IS AIMED TO ENCOURAGE DISCUSSIONS TO BE FINALIZED AND AGREEMENT TO BE REACHED BY MAY 21.

IV) AT THEIR MEETING ON MARCH 15, V. BRINK INDICATED TO EH THAT RI WAS NOT INTERESTED IN A DEAL ON CHESTERFIELD, EYE AND MURATTI. RI WERE TOLD THAT WE WILL HAVE TO PURSUE THE UNDER-PAYMENT OF ROYALTIES ON EYE. RI REQUESTED PM TO POSTPONE ACTION ON THIS FOR THE TIME BEING.

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SECRET

- REMBRANDT HAVE WRITTEN TO CARTIER REQUESTING CARTIER'S APPROVAL TO SUB-LICENCE PM FOR NORTH - SOUTH AMERICA.
- RVM MET J. KANOUT OF CARTIER IN GENEVA ON MARCH 26. RVM DISCUSSED - AMONG OTHERS - THE REMBRANDT/PM INTEREST IN PURCHASING THE WORLD-WIDE CARTIER MARK RIGHTS FOR TOBACCO PRODUCTS. IT WAS AGREED THAT PM WILL EVALUATE THE WORTH OF THE TRADEMARK, AND WILL GET BACK TO CARTIER.
- EH IS SCHEDULED TO MEET G. KLARMANN ON APRIL 6 AND 7 TO DISCUSS ASPECTS OF THE CARTIER SUB-LICENCE TO PM.

5. FINANCE AND ADMINISTRATION

A) 959 FORMS

THREE 959 FORMS WERE LODGED LAST WEEK LEAVING 130 OUTSTANDING. TO DATE PM'S REQUEST TO THE IRS FOR AN EXTENSION HAS NOT BEEN ANSWERED.

B) THERE ARE NO FURTHER NEWS ON THE QUESTION OF QUARTERLY REPORTING.

6. GENERAL

A) ROTHMANS INTERNATIONAL BOARD APPOINTMENT

MR. M.J. ROUX WAS APPOINTED A DIRECTOR OF ROTHMANS INTERNATIONAL AT THE BOARD MEETING IN LONDON ON MARCH 18TH.

B) IT WAS REPORTED AND CONFIRMED BY GIUDICE AND KLATTEN OF MD THAT REENTISMA - THROUGH BANK JULIUS BAER OF ZURICH - APPROACHED DR. RUPERT TO PURCHASE MB. IT IS BELIEVED THE REE IT, AN OBJECTIVE WAS TO CREATE CONFUSION, AS THE FCO WOULD NOT HAVE ALLOWED SUCH PURCHASE. DR. RUPERT REJECTED THE APPROACH OUT OF HAND.

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C) ~~THE FOLLOWING IS CONFIRMED THAT THE REPORT PERIOD ENDING 31.12.1966~~
1966 SHARES OF RI (AT LEAST ...)

B) SHARE PRICES

MARCH 1966	26	(19)
ROTHMANS INTERNATIONAL (POUNDS)	76 P	(78 P)
RI CONVERTIBLE POUNDS/DM BONDS (DM)	3120	(3069)
DUNHILL (POUNDS)	259 P	(255 P)
CARROLS (IRISH POUNDS)	63 P	(61 P)
TABACOFINA (BF)		
- FORWARD	3100	(311)
- SPOT	3080	(3090)
ROTHMANS OF WALL HALL CANADA (CAN DLRS)		
- COMMON	24-1/2	(24-1/2)
- PREFERRED A	N/A	(N/A)
- PREFERRED B	N/A	(8-3/4)
CARLING O'BRIEN (CAN DLRS)		
- COMMON	7	(6-3/4)
- PREFERRED A	N/A	(14-3/4)
- PREFERRED B	N/A	(15)
ROTHMANS OF WALL HALL AUSTRALIA (AUS DLRS)		
- SYDNEY	4.60 ✓	(4.55)
- MELBOURNE	4.55 ✓	(4.55)
ROTHMANS INDUSTRIES, N.Z. (NZ DLRS)	1.70	(1.72)
ROTHMANS OF WALL HALL MALAYSIA (SING DLRS)	3.00	(-)
ROTHMANS INDUSTRIES LTD. (SING DLRS)	1.85	(1.76)

BEST REGARDS,

E. HOUNINER

+++ EBS

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